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SUBJECT: A REVOLVING DOOR IN ECUADOR'S ECONOMIC MINISTRIES

REFTEL: QUITO 1182

¶1. (U) In the past month, the Correa administration has implemented a number of high-level changes in Ecuador's economic ministries. The country now has new ministers of Electricity, Petroleum and Mining, Transportation, and Economy and Finance.

Ministers Leave to Run for Constituent Assembly

¶2. (SBU) Two ministers, Transportation Minister Trajano Andrade and Energy Minister Alberto Acosta, left office to run as representatives of President Correa's movement for the Constituent Assembly (elections for the Assembly will be held September 30). Following their departures, the Transportation and Energy Ministries were run temporarily by acting Ministers. On July 9, Hector Villagran became the new Minister of Transportation. Villagran is favorably inclined towards the United States and appears eager to work with the USG on bilateral issues (his mother is the long-term director of the U.S.-Ecuadorian binational cultural center in Guayaquil, a private institution originally founded with USG assistance that remains closely engaged with the U.S. Consulate General).

Energy Ministry Splits to Focus on Electricity Issues

¶3. (SBU) On July 10 the Energy Ministry split in two, creating the Ministry of Electricity and Renewable Energy and the Ministry of Petroleum and Mining, to focus more attention on problems in the electricity sector. These include lack of investment, inadequate supply, inefficiency in the state-run distributors, and collection and payment problems. Alecksey Mosquera, former Under Secretary of Electricity in the Energy Ministry, was named the new Minister of Electricity. Mosquera is a technician with extensive experience in the sector, and proposes some major changes to streamline the sector and make it more efficient (whether these changes would result in enhanced collection, payment, and investment is unclear).

¶4. (SBU) Galo Chiriboga was appointed as the new Petroleum Minister on July 23. Chiriboga, briefly head of state oil company Petroecuador during the previous administration after a longer stint as Labor Minister (and also a few weeks as Minister of Government), is well-regarded by industry as a calm, reasonable interlocutor who realizes the importance of foreign investment in the petroleum sector. Although he has vowed to renegotiate contracts with foreign oil companies, this has been Correa's position since the beginning of the administration and is also consistent with the policies of the previous administration.

Controversies Finally Shake Up Economy Ministry

15. (SBU) After a long-running series of major missteps related to Economy Minister Patino's possible involvement in market manipulation (reftel), and his controversial statements about the illegitimacy of foreign debt, he was transferred July 25 to head up the newly-created Ministry of the Coast. Correa created this Ministry in an attempt to consolidate power in coastal Ecuador, where his popularity is rivaled by that of Guayaquil Mayor Nebot. Correa has strongly supported Patino throughout the scandals, but he had become a liability at the Finance Ministry and had never engaged the Ministry's technical policy issues. This new post offers a face-saving switch, and also positions Patino to act as a constant thorn in Nebot's side.

16. (SBU) Fausto Ortiz, former Vice Minister of Finance, replaced Patino as Minister of Economy and Finance. Ortiz's appointment was favorably viewed by the market; while he has not articulated his own views on debt restructuring since working for the Correa administration, he is seen as someone who will take a more moderate and pragmatic approach than Patino. For example, he illustrated to USG officials how the government could meet its pledge to reduce the debt burden on the budget primarily by lengthening domestic debt maturities. He is considered to be more technically competent than Patino, and some say he was already running the Ministry "behind the scenes" while Patino was in charge. However, like Patino, he is seen by some as tainted (although to a much lesser extent) because his inconsistent statements and actions on debt payments early in the administration raise questions about possible market manipulation. Ortiz reportedly enjoys a personal connection to Correa by virtue of a friendship dating back to university days.

COMMENT

17. (SBU) During the Palacio administration, Ecuador experienced chronic instability in its ministries. The Correa administration, with an election mandate that Palacio lacked, as well as better defined economic views, could have brought more stability in senior economic positions. Instead, there has been a major reshuffling at the top of most of economic ministries after only six months. To date, most commentators see the government as ineffective in implementing its economic programs. This turnover may, in the short run, further disrupt implementation of economic programs. The longer term implications are hard to judge, since the newly appointed ministers, for the most part, appear to be more pragmatic and technically experienced than their predecessors, but few doubt that major decisions will continue to be made personally by Correa himself.

BIOGRAPHICAL NOTES

18. (SBU) BIO NOTES:

RICARDO PATINO AROCA
Minister of the Coast

Ricardo Patino's move from Minister of Economy (January-July 2007) to the head of the newly-created Ministry of the Coast is seen by many as a demotion. As Minister of Economy, Patino was involved in several turbulent developments. His statements implying Ecuador might not honor its international debt obligations roiled the financial markets, although Ecuador subsequently has paid its debt on time. Later, he was seen in a video (surreptitiously filmed at his request) making comments that seemed to imply (but not confirm) manipulation of the debt market, for which he was censured by Congress.

Prior to becoming Minister of Economy, Patino was the national political director for Alianza PAIS, President Correa's political movement. He also worked with Correa when Correa was Minister of Economy in 2005, first as his Chief of Staff and then as the Vice Minister of Economy. In 1999 Patino helped establish the Ecuador branch of Jubilee 2000, an international NGO calling for forgiveness of developing country debt.

Patino was the coordinator of the Technical Advisory Committee of Ecuador's Inter-ministerial Employment Commission, and a consultant for the International Labor Organization. He taught at the Department of Economics of the University of Guayaquil and the Superior Polytechnic School of Litoral. Patino has a B.A. in economics from the Autonomous Metropolitan University of Iztalapa, Mexico, and a M.A. in Development Economics from the International University of Andaluca, Spain. Before studying in Mexico, Patino was enrolled at the Agrarian Reform Institute in Nicaragua in the 1980s. Patino was born in 1954 in Guayaquil. He is married to Miriam Alcivar, and they have a 22 year-old daughter, Maria Isabel.

FAUSTO ORTIZ DE LA CADENA
Minister of Economy and Finance

Fausto Ortiz is seen as more pragmatic on debt issues than his predecessor Ricardo Patino, who frequently criticized Ecuador's international debt obligations. Ortiz served under Patino as Vice Minister of Finance from January to July 2007, and some believe that, in practice, he actually ran the Ministry during that time. During his stint as Vice Minister, Ortiz was best known for first announcing that Ecuador would not make a large international debt payment coming due, and then two days later announcing that Ecuador would make the payment on time. Ortiz also worked in the Ministry of Economy during the Palacio administration as Under Secretary of Public Credit and as Treasurer.

Ortiz is from Guayaquil and held positions as university professor at Casa Grande, Catholic University of Guayaquil and the Polytechnic University of the Litoral. Ortiz was the manager of economic and trade studies at the Chamber of Commerce in Guayaquil. He also advised the private sector on finance, loan structure, and the development of Ecuador's stock exchange. Ortiz has a B.A. in Economics from the Catholic University of Guayaquil (1989), and a M.A. in Business Economics from INCAE, Costa Rica (1992). During his years in college, he was President of the Students Federation of Catholic University and the Faculty of Economics, Business administration and Accounting. Ortiz understands English but is not comfortable speaking it.

ALECSKEY MOSQUERA
Minister of Electricity and Renewable Energy

Mosquera served as the Under Secretary of Electricity in the Ministry of Energy and Mines in the Correa administration until he was appointed Minister of Electricity when the Ministry was split in two (as the government sought increased focus on the problems in the electricity sector). As part of the change and to increase the Electricity Ministry's control over the sector, he was also appointed head of the National Council for Electricity (CONELEC), Ecuador's electricity regulator.

Mosquera has extensive technical experience in the electricity sector, and appears bright and ready to make changes. According to his official bio, Mosquera led the Commission for the Promotion of Investment in Electricity Generation and was Coordinator for the Inter-institutional Electric Sector Commission for the creation of the National Emergency Plan for 2005-2007. He also worked in CONELEC previously, covering financial analysis of the electricity sector. Mosquera has a Masters degree in Business Administration and Mechanical Engineering from the Polytechnic School of Quito. He graduated Cum Laude in both degrees.

GALO CHIRIBOGA
Minister of Petroleum and Mines

Galo Chiriboga held three senior positions in the Palacio administration: President of Petroecuador from July 2006 to January 2007, Minister of Labor (2006), and Minister of Government (2005). Chiriboga has described himself as a "modern leftist," although his relationship with unions soured over a minimum wage dispute in January 2006. He was perceived as one of the more pragmatic, results-oriented members of the Palacio administration. Chiriboga was part of the Quito Assembly that opposed former President Gutierrez and helped bring about his ouster.

Chiriboga was president of the American Association of Jurists from 1998-2003. He was legal advisor to CEOSL, the largest union confederation, since 1984. Chiriboga also held positions as

alternate magistrate to the Constitutional Tribunal (1999-2003), Director of Filanbanco Bank (March 2001), and Pichincha police intendant (1980-1983).

Chiriboga received a law degree from the Catholic University of Quito. He also has a M.A. in Administration and a Doctorate in Law. He has post-graduate specializations from Ecuador, Colombia, Spain and France on financial, securities and stock exchange law, labor law, human rights and contracts. He has published several works on human rights, worker rights, and ethics.

HECTOR VILLAGRAN CEPEDA
Minister of Public Works and Transportation

Villagran will preside over development of Ecuador's transportation infrastructure, including supervision of airports, seaports and the road and rail systems. Villagran is perceived as favorable towards the United States. He was formerly President of the Ecuadorian Railroad Corporation, when he informally inquired about U.S. support to help improve Ecuador's railway system. He previously served as General Manager of a World Bank-funded "International Trade and Integration" program at the Ministry of International Commerce, Industries, and Fishing, and Special Assistant to Vice President Pedro Aguayo Cubillo (in the 1998 interim presidency of Fabian Ernesto Alarcon Rivera). Villagran also held positions as Editor of El Financiero magazine, National Representative of the Bolivar Program, Legal Director at the Superintendency of Companies, and law associate at the Villagran Lara & Villagran Cepeda law firm.

A Guayaquil native, Villagran studied law at the Law Department of the University of Guayaquil and holds a business degree from Florida International University.
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